

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES
GLOBAL EXPEDITED PACKAGE SERVICES CONTRACTS
NON-PUBLISHED RATES

Docket No. MC2012-4

COMPETITIVE PRODUCT PRICES
GLOBAL EXPEDITED PACKAGE SERVICES CONTRACTS
NON-PUBLISHED RATES 3 (MC2012-4)

Docket No. CP2012-8

MOTION FOR PARTIAL RECONSIDERATION
(January 25, 2012)

The Postal Regulatory Commission (the Commission) issued Order No. 1161, adding the Global Expedited Package Services-Non-published Rates 3 (GEPS-NPR 3) product to the competitive products list of the Mail Classification Schedule (MCS). Like the orders establishing the GEPS-NPR and GEPS-NPR 2 products before it, Order No. 1161 included in the Ordering Paragraphs the requirement that:

[w]ithin 30 days of the expiration of each contract, the Postal Service shall file costs, volumes, and revenues disaggregated by weight and country group associated with that contract, including any penalties paid.

PRC Order No. 1161 at 7.

The Postal Service requests the Commission to reconsider this requirement in light of the experience it has gained with the GEPS agreements and the burden the requirement places on the parties to the regulatory process. A brief recollection of the history of the GEPS product and the evolution of the GEPS-NPR product may help to clarify the Postal Service's request.

In Order No. 43, the Postal Regulatory Commission (the Commission) established rules for how it would carry out its statutory functions with regard to determining whether a product should be added to the list of competitive products on the Mail Classification Schedule (MCS). At that time, the Commission determined that each negotiated service agreement (NSA) should be listed as a separate competitive product.¹ The Commission also expressed its concern that negotiated service agreements should be made available to small mailers.² But at that time, the Commission had no experience with international customized agreements.³

Much water has passed under the bridge since the Commission issued Order No. 43. Wisely, and perhaps presciently, the Commission “recognize[d] that although its rules attempt to strike [a] balance, modification may be necessary as experience under the new system is gained.”⁴ Furthermore, the Commission opined that “[i]f the future, it may be appropriate to group functionally equivalent negotiated service agreements as a single product if it can be shown that they have similar cost and market characteristics.”⁵

The Postal Service began submitting individual NSAs with small to medium-sized business mailers for Express Mail International and Priority Mail International product discounts based on volume commitments, mail preparation requirements, and reduction of Postal Service transportation costs resulting from the mailer’s use of particular acceptance locations. These agreements for Global Expedited Product Services

¹ Order No. 43, Order Establishing Ratemaking Regulations For Market Dominant and Competitive Products, PRC Docket No. RM2007-2, October 29, 2007, at 58.

² *Id.* at 59.

³ *Id.* at 56, note 22.

⁴ *Id.* at 56.

⁵

(GEPS) proved popular with customers, and in its FY 10 Annual Report, the Commission reported that competitive international negotiated service agreements approved by the Commission had increased from 19 in FY 08, to 32 in FY 09, and to 111 in FY 10.⁶ While the Commission did not report how much of this increase was attributable to the GEPS contracts, the Postal Service believes that GEPS contracts made up the lion's share of the competitive international NSAs filed in those years.

After demonstrating that its financial model used to determine customized pricing was a reliable means of providing earned discounts to customers while maintaining the cost coverage and contribution requirements for competitive products, the Postal Service sought to streamline the regulatory process involved with these agreements. The Board of Governors established a classification and non-published rates designed to ensure that each GEPS NSA would, if the mailer adhered to its volume commitments, would satisfy the statutory and regulatory requirements that competitive products cover their attributable costs and contribute to institutional costs as well. In PRC Docket No. CP2010-72, the Postal Service sought to have any contracts negotiated with rates using this model and agreements conforming to the basic elements of a model agreement submitted with its filing aggregated into a single product as functional equivalents to the model agreement with prices generated from the pricing model. Breaking new ground, in Order No. 593 the Commission added the GEPS-NPR product to the competitive products list.⁷

⁶ U.S. Postal Regulatory Commission Annual Report To The President And Congress Fiscal Year 2010, December 27, 2010, at 19, Table 2.

⁷ For reasons related to the timing of Order No. 593, issued November 22, 2010, no contracts were issued under that particular product heading. The first GEPS contracts to be filed in a NPR docket were filed in PRC Docket No. CP2011-45 (GEPS-NPR 2).

In its Annual Report for FY 2011, the Commission reported that there were 168 such agreements filed with the Commission,⁸ and the list of new customers taking advantage of the GEPS-NPR NSA continues to grow. Despite the fact that these agreements are considered to be a single product, the Postal Service is under orders to file with the PRC complicated financial workpapers to demonstrate the performance of each negotiated service agreement.⁹ At the end of each fiscal year, in its Annual Compliance Report, the Postal Service demonstrates whether the GEPS-NPR product, the aggregation of all GEPS agreements executed under the same PRC order, meets the statutory and regulatory requirements for cost coverage and contribution associated with competitive products. Indeed, in its FY 2011 Annual Report, the Commission highlighted the reduction of administrative burden that the GEPS-NPR product brought to the process of reviewing the agreements. The Commission noted that it “reviews the financial performance of GEPS-NPR products in its Annual Compliance Determination (ACD) report.”¹⁰

Since implementing the GEPS-NPR model of pricing, the GEPS agreements have consistently met the cost coverage and contribution requirements. Yet filing the individual performance reports has become an ever-increasing workload for the Postal Service’s financial analysts, attorneys, and support staff.¹¹ Presumably, this workload is

⁸ U.S. Postal Regulatory Commission Annual Report to the President and Congress Fiscal Year 2011, December 21, 2011, at 23.

⁹ The Postal Service concedes that when each negotiated agreement was considered to be a separate product, performance reporting on each contract at its expiration was appropriate.

¹⁰ PRC Annual Report FY 2011 at 25.

¹¹ The Postal Service estimates that within a very short time, the number of GEPS agreements in effect would, if they each expired on a different day of the year, require the Postal Service to produce a performance report every day of the year. This administrative requirement represents a growing costly workload for what appears to be little benefit in terms of increasing transparency to the public.

also felt by the Commission's docketing staff and financial analysts who review the required performance reports.

Recently, the Postal Service has been forced to file some of these reports after the required deadline because of limited resources and conflicting priorities. Therefore, in an effort to eliminate workload that appears to be duplicative and entirely unnecessary, the Postal Service asks the Commission to reconsider the imposition of this administrative requirement in light of the experience it has gained over the past year. Specifically, the Postal Service requests that the Commission lift the requirement to file performance reports for GEPS-NPR NSAs with immediate effect and with application to agreements filed in both this docket and the GEPS-NPR 2,¹² as well as any future GEPS-NPR product groupings the Commission may add to the competitive products list.

Respectfully submitted,

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¹² GEPS-NPR 2 was added to the competitive products list in PRC Docket No. CP2011-45.